

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

13 CV 88461

DANIEL C. MEGLY and SELMA EHRLICH :  
AND RICHARD M. EHRLICH, as Trustees of :  
the Selma Ehrlich Revocable Trust UAD :  
01/24/05, Individually and on Behalf of All :  
Others Similarly Situated, :

Plaintiffs,

vs.

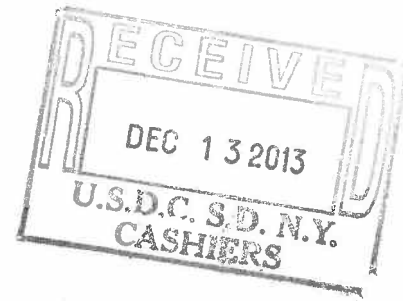
TURQUOISE HILL RESOURCES LTD., :  
JOHN MACKEN, TONY GIARDINI, KAY G. :  
PRIESTLY and CHRISTOPHER BATEMAN, :

Defendants.

Civil Action No.

CLASS ACTION

COMPLAINT FOR VIOLATION OF THE  
FEDERAL SECURITIES LAWS



DEMAND FOR JURY TRIAL

Plaintiffs, individually and on behalf of all others similarly situated, by plaintiffs' undersigned attorneys, for plaintiffs' complaint against defendants, allege the following based upon personal knowledge as to plaintiffs and plaintiffs' own acts, and upon information and belief as to all other matters based on the investigation conducted by and through plaintiffs' attorneys, which included, among other things, a review of Securities and Exchange Commission ("SEC") filings by Turquoise Hill Resources Ltd. ("Turquoise Hill" or the "Company"), as well as media reports about the Company and conference call transcripts. Plaintiffs believe that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

## **INTRODUCTION**

1. This is a securities fraud class action on behalf of all persons who purchased the common stock of Turquoise Hill between May 14, 2010 and November 8, 2013, inclusive (the "Class Period"). This action is brought against Turquoise Hill and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (the "1934 Act").

2. Turquoise Hill is an international mineral exploration and development company. The Company's principal mineral resource property is the Oyu Tolgoi Project located in Mongolia. The Company also has two subsidiaries through which it holds interests in coal resource properties in Mongolia and molybdenum, rhenium, copper, gold and uranium resource properties in Australia. Its subsidiary SouthGobi Resources Ltd. ("SouthGobi") owns and operates the Ovoot Tolgoi Coal Project ("Ovoot Tolgoi") located in Mongolia.

## **SUMMARY OF THE ACTION**

3. During the Class Period, defendants issued materially false and misleading statements regarding Turquoise Hill's financial performance and business prospects and overstated the Company's reported revenue, specifically for its SouthGobi subsidiary, which produces coal at the

Ovoot Tolgoi mine in Mongolia. As a result of defendants' false and misleading statements, the Company's stock traded at artificially inflated prices during the Class Period, reaching a high of \$28.91 per share on February 7, 2011.

4. On November 8, 2013, Turquoise Hill issued a press release disclosing that the Company would be restating its consolidated financial results for the years ended December 31, 2010, 2011, 2012 and the affected quarters, including 2013, due to errors related to the timing of revenue recognition from sales to certain distributors as a result of the SouthGobi subsidiary's decision to change the way it recognizes revenue. The Company further disclosed that some sales were booked after delivery to the customers' stockpiles at the Ovoot Tolgoi mine instead of upon customer collection. In addition, the Company stated that the financial statements should no longer be relied upon. The release stated in part:

Turquoise Hill Resources today announced that it will restate its consolidated financial results for 2010, 2011, 2012 and the affected quarters, including 2013, following a decision by the Company's majority-owned subsidiary, SouthGobi Resources Ltd., that it plans to restate its financial results. The Company plans to effect this restatement by filing restated annual consolidated financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2012, including comparative periods presented therein. Additionally, the effects of the restatement will be reflected in the Company's interim consolidated financial statements and MD&A for the three and nine months ended September 30, 2013, including comparative periods presented therein.

The planned restatement is due to a change in SouthGobi's determination of when revenue should be recognized in accordance with International Financial Reporting Standards from its sales of coal previously recognized in fourth quarter of 2010, the full year 2011 and the first half of 2012. The transactions in question involved sale contracts upon which revenue was recognized upon delivery to customers' stockpiles in a stockyard located within SouthGobi's Ovoot Tolgoi mine's mining licence area. Starting in the second half of 2012, SouthGobi adopted new terms in its sales contracts to provide for transfer of title upon loading the coal onto customers' trucks and revenue has been recognized at the time of customer collection in respect of sales under such contracts.

5. On this news, the Company's stock price dropped from \$4.87 per share on November 7, 2013 to close at \$4.09 per share by November 14, 2013. Subsequently, on December 4, 2013,

after the Company announced a rights offering, doubling the number of shares outstanding, Turquoise Hill's stock price dropped to \$3.41 per share.

6. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, included:

(a) Turquoise Hill had overstated its revenues in the years ended December 31, 2010, 2011, 2012 and the affected quarters, including 2013, in violation of Generally Accepted Accounting Principles ("GAAP");

(b) Turquoise Hill had prematurely reported revenues; and

(c) Turquoise Hill's internal accounting controls were deficient and permitted the premature recognition of revenue, leading to materially misstated financial results.

7. As a result of defendants' false and misleading statements, Turquoise Hill common stock traded at artificially inflated prices during the Class Period. However, after the above-alleged revelations of the true but undisclosed facts seeped into the market, the Company's common stock experienced exorbitant selling pressure, sending its price down 85% from its Class Period high.

#### **JURISDICTION AND VENUE**

8. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 (17 C.F.R. §240.10b-5) promulgated thereunder by the SEC. Jurisdiction is conferred by §27 of the 1934 Act (15 U.S.C. §78aa).

9. Venue is proper pursuant to §27 of the 1934 Act. Acts and transactions giving rise to the violations of law complained of occurred here, including that Turquoise Hill's stock is listed and trades on the New York and NASDAQ stock exchanges. Turquoise Hill maintains its principal executive offices at 200 Granville Street, Suite 354, Vancouver, BC V6C 1S4 Canada. Certain of the acts and conduct complained of herein, including the dissemination of materially false and misleading information to the investing public, occurred in this District.

10. In connection with the acts and conduct alleged herein, defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchanges and markets.

### **PARTIES**

11. (a) Plaintiff Daniel C. Megly purchased the common stock of Turquoise Hill during the Class Period as set forth in the certification attached hereto and was damaged as a result of defendants' wrongdoing as alleged in this complaint.

(b) Plaintiffs Selma Ehrlich and Richard M. Ehrlich, as Trustees of the Selma Ehrlich Revocable Trust UAD 01/24/05, purchased the common stock of Turquoise Hill during the Class Period as set forth in the certification attached hereto and were damaged as a result of defendants' wrongdoing as alleged in this complaint.

12. Defendant Turquoise Hill is an international mineral exploration and development company.

13. Defendant John Macken ("Macken") was Chief Executive Officer ("CEO") of Turquoise Hill until October 2010, a director until February 2011 and President until April 2012.

14. Defendant Tony Giardini ("Giardini") was Chief Financial Officer ("CFO") and Senior Vice President of Turquoise Hill until April 2012.

15. Defendant Kay G. Priestly ("Priestly") is, and since May 1, 2012 has been, CEO and a director of Turquoise Hill.

16. Defendant Christopher Bateman ("Bateman") is, and since May 1, 2012 has been, CFO of Turquoise Hill.

17. The defendants identified in ¶¶13-16 are referred to herein as the "Individual Defendants."

18. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Turquoise Hill's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false and misleading statements pleaded herein.

#### **FRAUDULENT SCHEME AND COURSE OF BUSINESS**

19. Defendants are liable for: (i) making false and/or misleading statements; or (ii) failing to disclose adverse facts known to them about Turquoise Hill. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Turquoise Hill common stock was a success, as it: (i) deceived the investing public regarding Turquoise Hill's prospects and business; (ii) artificially inflated the price of Turquoise Hill common stock; (iii) caused plaintiffs and other members of the Class to purchase Turquoise Hill common stock at inflated prices.

#### **BACKGROUND**

20. Turquoise Hill was formerly known as Ivanhoe Mines Ltd. and changed its name to Turquoise Hill in August 2012. Turquoise Hill is an international mineral exploration and development company. The Company's principal mineral resource property is the Oyu Tolgoi project, a copper-gold project located in the South Gobi region of Mongolia. The Company also has two subsidiaries through which it holds interests in coal resource properties in Mongolia and



molybdenum, rhenium, copper, gold and uranium resource properties in Australia. Turquoise Hill was founded in 1994 and is headquartered in Vancouver, Canada. Rio Tinto plc has a majority shareholding in Turquoise Hill.

21. SouthGobi owns and operates Ovoot Tolgoi, located in Mongolia. SouthGobi, in which Turquoise Hill has a 58% shareholding, is listed on the Toronto and Hong Kong stock exchanges. SouthGobi is focused on exploration and development of its metallurgical and thermal coal deposits in Mongolia's South Gobi region. It has a 100% shareholding in SouthGobi Sands LLC, a Mongolian registered company that holds the mining and exploration licenses in Mongolia and operates the flagship Ovoot Tolgoi coal mine. Ovoot Tolgoi produces and sells coal to customers in China. Turquoise Hill took management control of SouthGobi in September 2012.

**DEFENDANTS' FALSE AND MISLEADING STATEMENTS  
ISSUED DURING THE CLASS PERIOD**

22. On May 14, 2010, Turquoise Hill issued a press release announcing its first quarter 2010 financial results. The release stated in part:

**HIGHLIGHTS DURING THE QUARTER AND SUBSEQUENT WEEKS**

- On May 11, 2010, Ivanhoe released a new Integrated Development Plan (IDP-10) that estimates the Oyu Tolgoi Project in Mongolia should produce more than 1.2 billion pounds (544,000 tonnes) of copper and 650,000 ounces of gold every year for the first 10 years.
- Peak single-year production from Oyu Tolgoi is estimated at 1.7 billion pounds (800,000 tonnes) of copper and 1.1 million ounces of gold.
- Full-scale construction at Oyu Tolgoi expected to commence in June 2010 and production is expected to commence in mid-2013.
- Oyu Tolgoi expected to become one of the world's top three copper-gold mines.

\* \* \*

## **Financial Results**

In Q1'10, Ivanhoe Mines recorded a net loss of \$193.9 million (\$0.45 per share), compared to a net loss of \$56.0 million (\$0.15 per share) in Q1'09, representing an increase of \$137.9 million. Results for Q1'10 were mainly affected by \$71.4 million in exploration expenses, \$20.3 million in cost of sales, \$8.3 million in general and administrative expenses, \$13.4 million in interest expense, \$154.3 million in loss on conversion of convertible credit facility and \$10.1 million in share of losses of significantly influenced investees. These amounts were offset by coal revenue of \$13.9 million, \$4.6 million in interest income, \$6.6 million in income from discontinued operations and \$1.7 million in mainly unrealized foreign exchange gains.

Exploration expenses of \$71.4 million in Q1'10 increased \$37.3 million from \$34.1 million in Q1'09. The exploration expenses included \$59.2 million spent in Mongolia (\$26.9 million in Q1'09), primarily for Oyu Tolgoi and Ovoot Tolgoi, and \$10.8 million incurred by Ivanhoe Australia (\$6.1 million in Q1'09). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period. Ivanhoe Mines will commence capitalizing Oyu Tolgoi development costs in Q2'10.

Ivanhoe Mines' cash position, on a consolidated basis at March 31, 2010, was \$1.3 billion. As at May 14, 2010, Ivanhoe Mines' current consolidated cash position is approximately \$1.3 billion.

23. On August 16, 2010, Turquoise Hill issued a press release announcing its second quarter 2010 financial results. The release stated in part:

### **HIGHLIGHTS DURING THE SECOND QUARTER AND SUBSEQUENT WEEKS**

- Full-scale construction at Oyu Tolgoi copper and gold mine in Mongolia commenced in June 2010 and there are now approximately 4,400 workers at Oyu Tolgoi. Production is expected to commence in mid-2013.
- On May 11, 2010, Ivanhoe released a new Integrated Development Plan (IDP-10) that estimates the Oyu Tolgoi Project in Mongolia should produce more than 1.2 billion pounds (544,000 tonnes) of copper and 650,000 ounces of gold every year for the first 10 years. Peak single-year production from Oyu Tolgoi is estimated at 1.7 billion pounds (800,000 tonnes) of copper and 1.1 million ounces of gold.

\* \* \*



## Financial Results

In Q2'10, Ivanhoe Mines recorded a net loss of \$30.0 million (\$0.07 per share) compared to a net loss of \$24.9 million (\$0.07 per share) in Q2'09, representing an increase of \$5.1 million. Results for Q2'10 mainly were affected by \$39.5 million in exploration expenses, \$13.2 million in coal cost of sales, \$14.7 million in general and administrative expenses, \$8.3 million in interest expense, \$4.9 million in mainly unrealized foreign exchange losses and \$13.2 million in share of loss of significantly influenced investees. These amounts were offset by coal revenue of \$17.7 million, \$2.5 million in interest income and \$72.2 million change in fair value of embedded derivatives.

Exploration expenses of \$39.5 million in Q2'10 increased \$4.3 million from \$35.2 million in Q2'09. The exploration expenses included \$23.2 million spent in Mongolia (\$25.2 million in Q2'09), primarily for Oyu Tolgoi and Ovoot Tolgoi, and \$14.9 million incurred by Ivanhoe Australia (\$8.8 million in Q2'09). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period.

Ivanhoe Mines' cash position, on a consolidated basis at June 30, 2010, was \$1.5 billion. As at August 16, 2010, Ivanhoe Mines' current consolidated cash position is approximately \$1.4 billion.

24. On November 10, 2010, Turquoise Hill issued a press release announcing its third quarter 2010 financial results. The release stated in part:

### HIGHLIGHTS DURING THE THIRD QUARTER AND SUBSEQUENT WEEKS

- Full-scale construction at the Oyu Tolgoi copper and gold mine in Mongolia is progressing ahead of schedule and there now are more than 5,500 workers on site. Ivanhoe expects to begin initial production of copper and gold at Oyu Tolgoi in late 2012.
- On October 18, 2010, Ivanhoe launched a strategic, conditional rights offering in which all existing shareholders, subject to applicable law, may participate on a pro rata basis in purchasing additional common shares. The rights offering is expected to raise approximately \$800 million to \$1.0 billion.

\* \* \*

- In September 2010, a new hole drilled at Oyu Tolgoi intercepted 938 metres of near-continuous copper-gold mineralization between the Heruga Deposit and the Southern Oyu deposits, making it the longest exploration drill

intercept of copper and gold mineralization recorded since Ivanhoe began drilling at the Oyu Tolgoi Project in 2000.

\* \* \*

### **Financial Results**

In Q3'10, Ivanhoe Mines recorded a net loss of \$24.9 million (\$0.05 per share) compared to a net loss of \$69.8 million (\$0.18 per share) in Q3'09, representing a decrease of \$44.9 million. Results for Q3'10 mainly were affected by \$48.1 million in exploration expenses, \$14.9 million in cost of sales, \$15.0 million in general and administrative expenses, \$6.3 million in interest expense and \$8.5 million in share of loss of significantly influenced investees. These amounts were offset by coal revenue of \$6.6 million, \$3.8 million in interest income, \$5.3 million in mainly unrealized foreign exchange gains and a \$49.8 million change in fair value of embedded derivatives.

Exploration expenses of \$48.1 million in Q3'10 increased \$7.2 million from \$40.9 million in Q3'09. Exploration expenses included \$30.4 million spent in Mongolia (\$28.1 million in Q3'09), primarily for Oyu Tolgoi and Ovoot Tolgoi, and \$15.7 million incurred by Ivanhoe Australia (\$11.5 million in Q3'09). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period.

Ivanhoe Mines' cash position, on a consolidated basis at September 30, 2010, was \$1.4 billion. As at November 10, 2010, Ivanhoe Mines' current consolidated cash position is approximately \$1.3 billion.

25. On February 7, 2011, Turquoise Hill reached its Class Period high of \$28.91 per share.

26. On March 28, 2011, Turquoise Hill issued a press release announcing its year-end 2010 financial results. The release stated in part:

### **HIGHLIGHTS**

- Full-scale construction of the first phase of the Oyu Tolgoi copper-gold-silver project in southern Mongolia is advancing toward the scheduled start of commercial production in the first half of 2013.
- Key elements of the project, including the concentrator complex, are ahead of schedule at the end of the first quarter of 2011, in what will be the peak year of construction activity at the site.

\* \* \*

- During 2010, Ivanhoe Mines' 57%-owned subsidiary, SouthGobi Resources, shipped approximately 2.5 million tonnes of coal from its Ovoot Tolgoi Mine in southern Mongolia at an average realized selling price of approximately \$35 per tonne. This was a major improvement over the 1.3 million tonnes of coal shipped in 2009 at an average realized selling price of \$29 per tonne – and resulted in \$79.8 million of revenue being recognized in 2010, compared to \$36.0 million in 2009.

\* \* \*

## **REVIEW OF OPERATIONS**

In 2010, Ivanhoe Mines recorded a net loss of \$211.5 million (\$0.42 per share) compared to a net loss of \$280.2 million (\$0.69 per share) in 2009, representing a decrease of \$68.7 million. Results for 2010 mainly were affected by \$218.6 million in exploration expenses, \$94.8 million in cost of sales, \$84.4 million in general and administrative expenses, \$32.8 million in interest expense, \$154.3 million in loss on conversion of convertible credit facility and \$42.7 million in share of loss of significantly influenced investees. These amounts were offset by coal revenue of \$79.8 million, \$16.6 million in interest income, \$8.7 million in mainly unrealized foreign exchange gains, a \$135.7 million change in the fair value of a derivative and a \$100.6 million change in the fair value of embedded derivatives.

Exploration expenses of \$218.6 million in 2010 increased \$41.5 million from \$177.1 million in 2009. Exploration expenses included \$134.5 million spent in Mongolia (\$130.9 million in 2009), primarily for Oyu Tolgoi and Ovoot Tolgoi, and \$73.8 million incurred by Ivanhoe Australia (\$41.5 million in 2009). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period.

Ivanhoe Mines' cash position, on a consolidated basis at December 31, 2010, was \$1.3 billion. As at March 28, 2011, Ivanhoe Mines' consolidated cash position was approximately \$1.9 billion.

27. On May 13, 2011, Turquoise Hill issued a press release announcing its first quarter 2011 financial results. The release stated in part:

## **HIGHLIGHTS DURING THE QUARTER AND SUBSEQUENT WEEKS**

- On February 3, 2011, Ivanhoe announced that its strategic rights offering to shareholders had generated US\$1.18 billion (CDN\$1.17 billion) in gross proceeds to be used to advance development of the Oyu Tolgoi copper-gold-silver project in Mongolia. Upon the closing of the rights offering, Ivanhoe Mines issued a total of 84.9 million common shares, which represented 99.5% of the maximum number of common shares that were available under the rights offering.

\* \* \*

- During Q1'11, Ivanhoe's 57%-owned subsidiary, SouthGobi Resources, reported coal sales of \$20.2 million from its Ovoot Tolgoi mine in southern Mongolia, representing approximately 450,000 tonnes of coal sold to customers in China at an average realized price of approximately \$50 per tonne.

\* \* \*

## Financial Results

In Q1'11, Ivanhoe Mines recorded a net loss of \$492.5 million (\$0.79 per share) compared to a net loss of \$193.9 million (\$0.43 per share) in Q1'10, representing an increase of \$298.6 million. Results for Q1'11 mainly were affected by \$46.2 million in exploration expenses, \$20.3 million in cost of sales, \$25.3 million in general and administrative expenses, \$4.3 million in interest expense, a \$432.5 million change in the fair value of a derivative, a \$36.8 million change in the fair value of embedded derivatives and \$3.7 million in share of loss of significantly influenced investees. These amounts were offset by coal revenue of \$20.2 million, a \$10.6 million gain on sale of long-term investment, \$5.1 million in interest income and \$3.1 million in mainly unrealized foreign exchange gains.

The \$432.5 million change in fair value of derivative relates to the Q1'11 change in fair value of the Ivanhoe Mines rights offering derivative liability from December 31, 2010. The rights were revalued in Q1'11 prior to their exercise or expiry which resulted in a \$432.5 million loss being recognized.

Exploration expenses of \$46.2 million in Q1'11 decreased \$25.2 million from \$71.4 million in Q1'10. Exploration expenses included \$13.5 million spent in Mongolia (\$59.2 million in Q1'10), primarily for Oyu Tolgoi and Ovoot Tolgoi, and \$30.4 million incurred by Ivanhoe Australia (\$10.8 million in Q1'10). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period.

Ivanhoe Mines' cash position, on a consolidated basis at March 31, 2011, was \$1.9 billion. As at May 13, 2011, Ivanhoe Mines' consolidated cash position was approximately \$1.6 billion.

28. On August 12, 2011, Turquoise Hill issued a press release announcing its second quarter 2011 financial results. The release stated in part:

## HIGHLIGHTS DURING THE QUARTER AND SUBSEQUENT WEEKS

- Overall construction at Oyu Tolgoi continues to advance on schedule and on budget, and reached a 30.8% level of completion at the end of Q2. Key elements of the project, including the concentrator complex, primary crusher

and tailings-thickening ponds, remain ahead of schedule. Commercial production is expected to commence in the first half of 2013.

\* \* \*

- During Q2'11, Ivanhoe Mines' 57%-owned subsidiary, SouthGobi Resources, reported coal sales of \$47.3 million from its Ovoot Tolgoi mine in southern Mongolia, representing approximately 1.05 million tonnes of coal sold to customers in China at an average realized price of approximately \$54 per tonne.

\* \* \*

### **Financial Results**

In Q2'11, Ivanhoe Mines recorded net income of \$0.6 million (\$0.00 per share), compared to a net loss of \$30.0 million (\$0.06 per share) in Q2'10, which was an increase of \$30.6 million. Results for Q2'11 mainly were affected by \$68.6 million in exploration expenses, \$49.7 million in cost of sales, \$19.5 million in general and administrative expenses and \$3.3 million in interest expense. These amounts were offset by coal revenue of \$47.3 million, a \$70.4 million change in the fair value of embedded derivatives, a \$44.8 million in share of gain of significantly influenced investees, \$4.9 million in interest income and \$2.3 million in mainly unrealized foreign exchange gains.

Exploration expenses of \$68.6 million in Q2'11 increased \$29.1 million from \$39.5 million in Q2'10. Exploration expenses included \$22.8 million spent in Mongolia (\$23.2 million in Q2'10), primarily for Oyu Tolgoi and Ovoot Tolgoi, and \$43.0 million incurred by Ivanhoe Australia (\$14.9 million in Q2'10). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period.

Ivanhoe Mines' cash position, on a consolidated basis at June 30, 2011, was \$1.6 billion. As at August 12, 2011, Ivanhoe Mines' consolidated cash position was approximately \$1.3 billion.

29. On November 14, 2011, Turquoise Hill issued a press release announcing its third quarter 2011 financial results. The release stated in part:

### **HIGHLIGHTS DURING THE QUARTER AND SUBSEQUENT WEEKS**

- Overall construction at Oyu Tolgoi continues to advance on budget and reached a 54.4% level of completion at the end of Q3'11. Key elements of the project, including the concentrator complex, primary crusher and tailings-thickening ponds, remain ahead of schedule. Total capital invested in the project to the end of Q3'11 was approximately \$3.2 billion. Facilities



required for first ore production in mid-2012 remain on schedule and commercial production is expected to commence in the first half of 2013.

\* \* \*

- During Q3'11, Ivanhoe Mines' 58%-owned subsidiary, SouthGobi Resources, reported coal sales of \$60.5 million from its Ovoot Tolgoi mine in southern Mongolia, representing approximately 1.37 million tonnes of coal sold to customers in China at an average realized price (before royalties and selling fees) of approximately \$54 per tonne.

\* \* \*

- In Q3'11, Ivanhoe Mines recorded net income of \$7.3 million (\$0.01 per share), compared to a net loss of \$24.9 million (\$0.05 per share) in Q3'10, which was an increase of \$32.2 million. Results for Q3'11 mainly were affected by \$79.6 million in exploration expenses, \$54.0 million in cost of sales, \$21.4 million in general and administrative expenses, \$35.6 million in foreign exchange losses, a \$19.3 million share of loss of significantly influenced investees, a \$9.1 million loss from discontinued operations and \$1.9 million in interest expense. These amounts were offset by coal revenue of \$60.5 million, a \$62.1 million change in the fair value of embedded derivatives, a \$103.0 million gain on settlement of a long-term note receivable, and \$5.3 million in interest income.

\* \* \*

### **Financial Results**

In Q3'11, Ivanhoe Mines recorded net income of \$7.3 million (\$0.01 per share), compared to a net loss of \$24.9 million (\$0.05 per share) in Q3'10, which was an increase of \$32.2 million. Results for Q3'11 mainly were affected by \$79.6 million in exploration expenses, \$54.0 million in cost of sales, \$21.4 million in general and administrative expenses, \$35.6 million in foreign exchange losses, a \$19.3 million share of loss of significantly influenced investees, a \$9.1 million loss from discontinued operations and \$1.9 million in interest expense. These amounts were offset by coal revenue of \$60.5 million, a \$62.1 million change in the fair value of embedded derivatives, a \$103.0 million gain on settlement of a long-term note receivable, and \$5.3 million in interest income.

Exploration expenses of \$79.6 million in Q3'11 increased \$31.5 million from \$48.1 million in Q3'10. Exploration expenses included \$30.1 million spent in Mongolia (\$30.4 million in Q3'10), primarily for Oyu Tolgoi and SouthGobi's Ovoot Tolgoi and Soumber deposits, and \$47.1 million incurred by Ivanhoe Australia (\$15.7 million in Q3'10). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period.



Ivanhoe Mines' cash position, on a consolidated basis at September 30, 2011, was \$1.4 billion. As at November 14, 2011, Ivanhoe Mines' consolidated cash position was approximately \$1.1 billion.

30. On March 20, 2012, Turquoise Hill issued a press release announcing its year-end 2011 financial results. The release stated in part:

#### **HIGHLIGHTS**

- Overall construction of the first phase of the Oyu Tolgoi copper-gold mining complex in southern Mongolia was 72.7% complete at the end of February 2012 and remains on track to meet the mine's targeted start of initial production in Q3'12. Commercial production is projected to begin in the first half of 2013.
- Total capital invested in the construction of the first phase of the Oyu Tolgoi Project to the end of 2011 was approximately \$4.0 billion.

\* \* \*

- During 2011, Ivanhoe Mines' 58%-owned subsidiary, SouthGobi Resources Ltd., had sales of approximately 4.0 million tonnes of coal at an average realized selling price, before royalties and selling fees, of approximately \$54 per tonne. Revenue, net of royalties and selling fees, increased from \$79.8 million in 2010 to \$179.0 million in 2011 due to the increased sales volumes and increased selling prices for individual coal types.

\* \* \*

#### **REVIEW OF OPERATIONS**

In 2011, Ivanhoe Mines recorded a net loss of \$570.4 million (\$0.83 per share), compared to a net loss of \$211.5 million (\$0.42 per share) in 2010, which was an increase of \$358.9 million. Results for 2011 mainly were affected by \$282.6 million in exploration expenses; \$168.2 million in cost of sales; \$100.8 million in general and administrative expenses; \$16.8 million in foreign exchange losses; a \$432.5 million change in fair value of a derivative relating to the rights offering; a \$9.1 million loss from discontinued operations and \$11.0 million in interest expense. These amounts were offset by \$179.0 million in coal revenue; a \$106.5 million change in the fair value of SouthGobi's embedded derivatives; a \$103.0 million gain on settlement of a long-term note receivable; a \$17.2 million share of income of significantly influenced investees; and \$22.1 million in interest income.

Exploration expenses of \$282.6 million in 2011 increased \$64.0 million from \$218.6 million in 2010. Exploration expenses included \$106.5 million spent in Mongolia (\$134.5 million in 2010), primarily for Oyu Tolgoi and SouthGobi's Ovoot

Tolgoi and Soumber deposits, and \$166.5 million incurred by Ivanhoe Australia (\$73.8 million in 2010). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period.

Ivanhoe Mines' cash position, on a consolidated basis at December 31, 2011, was \$998.1 million. As at March 19, 2012, Ivanhoe Mines' consolidated cash position was \$917.7 million.

31. On May 15, 2012, Turquoise Hill issued a press release announcing its first quarter 2012 financial results. The release stated in part:

#### **HIGHLIGHTS**

- Overall construction of the first phase of the Oyu Tolgoi copper-gold mining complex was 77.8% complete at the end of Q1'12 and had advanced to 82.2% complete at the end of April 2012. Construction remains on track to meet the mine's targeted start of initial production in the second half of 2012. Commercial production is projected to begin in the first half of 2013.
- Mining and stockpiling of the first ore from Oyu Tolgoi's phase-one open-pit mine began in late April 2012 as pre-stripping of the open pit progressed ahead of schedule during the first quarter.

\* \* \*

- During Q1'12, Ivanhoe Mines' 57.6%-owned subsidiary, SouthGobi Resources Ltd. (SouthGobi), had sales of approximately 0.84 million tonnes of coal at an average realized selling price of \$56.79 per tonne. Revenue increased from \$20.2 million in Q1'11 to \$40.2 million in Q1'12 due to the increased sales volumes and higher average realized selling prices.

\* \* \*

#### **REVIEW OF OPERATIONS**

In Q1'12, Ivanhoe Mines recorded a net loss of \$80.6 million (\$0.11 per share), compared to a net loss of \$492.5 million (\$0.79 per share) in Q1'11, which was a decrease of \$411.9 million. The decrease is largely due to the Q1'11 result including a \$432.5 million change in fair value of the derivative realized on the 2011 rights offering. Results for Q1'12 included \$76.8 million in exploration expenses; \$30.4 million in cost of sales; \$31.5 million in general and administrative expenses; \$0.7 million in interest expense; a \$0.8 million change in the fair value of SouthGobi's embedded derivatives; an \$18.3 million share of loss of significantly influenced investees; and a \$3.9 million write-down of carrying value of long-term investments. These amounts were offset by \$40.2 million in coal revenue; \$9.9

million in foreign exchange gains; an \$8.9 million gain on other long-term investments; and \$5.9 million in interest income.

Exploration expenses of \$76.8 million in Q1'12 increased by \$30.6 million from \$46.2 million in Q1'11. Exploration expenses included \$25.1 million spent in Mongolia (\$13.5 million in Q1'11), primarily for Oyu Tolgoi and SouthGobi's Ovoot Tolgoi and Soumber deposits, and \$47.6 million incurred by Ivanhoe Australia (\$30.4 million in Q1'11). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period.

During Q1'12, additions to property, plant and equipment for the Oyu Tolgoi Project totalled \$608.0 million, which included development costs.

Ivanhoe Mines' cash position, on a consolidated basis at March 31, 2012, was \$895.1 million. As at May 15, 2012, Ivanhoe Mines' consolidated cash position was approximately \$750 million.

32. On August 14, 2012, Turquoise Hill issued a press release announcing its second quarter 2012 financial results. The release stated in part:

#### **HIGHLIGHTS**

\* \* \*

- Turquoise Hill's cash position, on a consolidated basis at June 30, 2012, was \$515.6 million. As at August 14, 2012, Turquoise Hill's consolidated cash position had increased to approximately \$2.2 billion as a result of closing the \$1.8 billion rights offering in July 2012.

\* \* \*

#### **FINANCIAL RESULTS**

In Q2'12, Turquoise Hill recorded a net loss of \$285.9 million (\$0.35 per share), compared to net income of \$0.6 million (\$0.00 per share) in Q2'11, which was a change of \$286.5 million. Results for Q2'12 included \$65.1 million in exploration expenses; \$49.7 million in cost of sales; \$81.0 million in general and administrative expenses; \$168.7 million in financing costs (which includes a non-cash amount of \$164.4 million for the issue of the Series D warrants to Rio Tinto); \$2.0 million in interest expense; a \$2.3 million share of loss of significantly influenced investees; \$8.7 million in foreign exchange losses and a \$9.3 million write-down of carrying value of long-term investments. These amounts were offset by \$28.2 million in revenue; a \$26.8 million change in the fair value of SouthGobi's embedded derivatives; \$18.5 million change in the fair value of the derivative on the 2012 rights offering; \$4.8 million in interest income and \$20.2 million of net loss attributable to non-controlling interests.

Turquoise Hill's cash position, on a consolidated basis at June 30, 2012, was \$515.6 million. As at August 14, 2012, Turquoise Hill's consolidated cash position had increased to approximately \$2.2 billion as a result of closing the \$1.8 billion rights offering in July 2012.

33. On November 14, 2012, Turquoise Hill issued a press release announcing its third quarter 2012 financial results. The release stated in part:

#### **HIGHLIGHTS**

- Overall phase-one construction at Oyu Tolgoi reached 96% completion at the end of Q3'12.
- In early November 2012, Oyu Tolgoi signed a binding power purchase agreement with the Inner Mongolia Power Corporation to supply power to the Oyu Tolgoi mine.
- Oyu Tolgoi has begun a seven week commissioning of ore-processing equipment with first concentrate production expected to follow within one month and the start of commercial production expected three to five months thereafter.
- A total of 5.2 million tonnes of ore from the Oyu Tolgoi mine was stockpiled and 56,000 tonnes of ore were sent through the primary crusher to the coarse ore storage building during Q3'12.

\* \* \*

- Turquoise Hill's consolidated cash position was \$1.7 billion at September 30, 2012 and approximately \$1.5 billion at November 14, 2012.

#### **FINANCIAL RESULTS**

In Q3'12, Turquoise Hill recorded net income of \$114.3 million (\$0.12 per share), compared to net income of \$7.3 million (\$0.01 per share) in Q3'11, which was a change of \$107.0 million. Results for Q3'12 included \$55.3 million in exploration expenses; \$57.2 million in cost of sales; \$18.3 million in general and administrative expenses; \$12.5 million write-down of current assets; \$4.3 million in interest expense; a \$6.1 million share of loss of significantly influenced investees; and a \$16.1 million write-down of carrying value of long-term investments. These amounts were offset by \$23.8 million in revenue; a \$12.9 million change in the fair value of SouthGobi's embedded derivatives; \$176.2 million change in the fair value of the derivative on the 2012 rights offering; \$4.7 million in interest income; \$13.9 million in foreign exchange gains and \$36.6 million of net loss attributable to non-controlling interests.

Turquoise Hill's cash position, on a consolidated basis at September 30, 2012, was \$1.7 billion. As at November 14, 2012, Turquoise Hill's consolidated cash position was approximately \$1.5 billion.

34. On March 25, 2013, Turquoise Hill issued a press release announcing its fourth quarter and full-year 2012 financial results. The release stated in part:

#### **HIGHLIGHTS**

- Following the signing of the binding power purchase agreement in November 2012, electrical transmission lines to Oyu Tolgoi were energized and operational.
- Phase-one construction at Oyu Tolgoi reached 99% completion at the end of 2012.
- Underground lateral development continued during Q4'12 with approximately 1,500 metres achieved by the end of 2012.

\* \* \*

- Operations at SouthGobi's Ovoot Tolgoi mine resumed on March 22, 2013 after being curtailed during the second half of 2012.

\* \* \*

- Turquoise Hill's consolidated cash position was \$1.2 billion at December 31, 2012 and approximately \$710 million at March 25, 2013.

#### **FINANCIAL RESULTS**

In 2012, Turquoise Hill recorded a net loss of \$434.6 million (\$0.51 per share), compared to a net loss of \$570.4 million (\$0.76 per share) in 2011, which was a decrease of \$135.8 million. Results for 2012 included \$133.8 million in revenue; \$19.5 million in interest income; \$7.2 million in foreign exchange gains; \$194.7 million change in the fair value of the derivative on the 2012 rights offering; a \$39.5 million change in the fair value of SouthGobi's embedded derivatives and \$146.9 million of net loss attributable to non-controlling interests. These amounts were offset by \$208.1 million in cost of sales; \$169.0 million in exploration and evaluation expenses; \$159.9 million in other operating expenses; \$154.5 million in general and administrative expenses; \$16.2 million write-down of current assets; \$11.9 million in interest expense; \$164.4 million in financing costs; and a \$32.9 million share of loss of significantly influenced investees.

Turquoise Hill's cash position, on a consolidated basis at December 31, 2012, was approximately \$1.2 billion. As at March 25, 2013, Turquoise Hill's consolidated cash position was approximately \$710 million.



35. On August 12, 2013, Turquoise Hill issued a press release announcing its second quarter 2013 financial results. The release stated in part:

- Commissioning of the Oyu Tolgoi mine's concentrator progressed during Q2'13, and by the end of Q2'13 the concentrator had consistently achieved throughput above 70%.
- The concentrator is now consistently achieving throughput rates above 80% of design capacity.
- Concentrator production is in stabilization and optimization phase and is expected to reach full capacity in the second half of 2013.
- On July 9, 2013, Oyu Tolgoi commenced shipping concentrate to customers in China with an initial sale of approximately 5,800 tonnes of concentrate.
- As of June 30, 2013, Oyu Tolgoi held 50,200 tonnes of concentrate inventory and is expected to produce between 75,000 and 85,000 tonnes of copper in concentrates for 2013.

\* \* \*

- In Q2'13, SouthGobi produced approximately 170,000 tonnes of raw coal with a strip ratio of 15.55.

\* \* \*

Commenting on second quarter results, Kay Priestly, Turquoise Hill Chief Executive Officer, said, "The production ramp-up at Oyu Tolgoi is progressing and the concentrator is now consistently achieving throughput rates above 80% of capacity. The commencement of concentrate shipments from Oyu Tolgoi was a significant operational milestone and the mine is currently delivering concentrate to customers. We continue to work with Rio Tinto and the Government of Mongolia on project financing as well as a range of other issues in order to reach a common understanding and successfully resolve matters."

36. Then, on November 8, 2013, Turquoise Hill issued a press release announcing the restatement of its previously reported financial results, in a release which stated in part:

Turquoise Hill Resources today announced that it will restate its consolidated financial results for 2010, 2011, 2012 and the affected quarters, including 2013, following a decision by the Company's majority-owned subsidiary, SouthGobi Resources Ltd., that it plans to restate its financial results. The Company plans to effect this restatement by filing restated annual consolidated financial statements and management's discussion and analysis ("MD&A") for the year ended December 31,



2012, including comparative periods presented therein. Additionally, the effects of the restatement will be reflected in the Company's interim consolidated financial statements and MD&A for the three and nine months ended September 30, 2013, including comparative periods presented therein.

The planned restatement is due to a change in SouthGobi's determination of when revenue should be recognized in accordance with International Financial Reporting Standards from its sales of coal previously recognized in fourth quarter of 2010, the full year 2011 and the first half of 2012. The transactions in question involved sale contracts upon which revenue was recognized upon delivery to customers' stockpiles in a stockyard located within SouthGobi's Ovoot Tolgoi mine's mining licence area. Starting in the second half of 2012, SouthGobi adopted new terms in its sales contracts to provide for transfer of title upon loading the coal onto customers' trucks and revenue has been recognized at the time of customer collection in respect of sales under such contracts.

37. On this news, the Company's stock price dropped from \$4.87 per share on November 7, 2013 to close at \$4.09 per share by November 14, 2013. Subsequently, on December 4, 2013, after the Company announced a rights offering, doubling the number of shares outstanding, Turquoise Hill's stock price dropped to \$3.41 per share.

38. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, included:

- (a) Turquoise Hill had overstated its revenues in the years ended December 31, 2010, 2011, 2012 and the affected quarters, including 2013 in violation of GAAP;
- (b) Turquoise Hill had prematurely reported revenues; and
- (c) Turquoise Hill's internal accounting controls were deficient and permitted the premature recognition of revenue, leading to materially misstated financial results.

39. As a result of defendants' false and misleading statements, Turquoise Hill common stock traded at artificially inflated prices during the Class Period. However, after the above-alleged revelations of the true but undisclosed facts seeped into the market, the Company's common stock experienced exorbitant selling pressure sending its price down 85% from its Class Period high.

### **LOSS CAUSATION**

40. During the Class Period, as detailed herein, the defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Turquoise Hill common stock and operated as a fraud or deceit on Class Period purchasers of Turquoise Hill common stock by misrepresenting the Company's business and prospects. Later, when the defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of Turquoise Hill common stock fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their purchases of Turquoise Hill common stock during the Class Period, plaintiffs and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

### **NO SAFE HARBOR**

41. Turquoise Hill's verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

42. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of Turquoise Hill who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

### CLASS ACTION ALLEGATIONS

43. Plaintiffs bring this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Turquoise Hill common stock during the Class Period (the “Class”). Excluded from the Class are defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

44. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Turquoise Hill has over 1 billion shares of stock outstanding, owned by hundreds if not thousands of persons.

45. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class that predominate over questions that may affect individual Class members include:

- (a) Whether the 1934 Act was violated by defendants;
  - (b) Whether defendants omitted and/or misrepresented material facts;
  - (c) Whether defendants’ statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
  - (d) Whether defendants knew or deliberately disregarded that their statements were false and misleading;
  - (e) Whether the price of Turquoise Hill common stock was artificially inflated;
- and
- (f) The extent of damage sustained by Class members and the appropriate measure of damages.

46. Plaintiffs' claims are typical of those of the Class because plaintiffs and the Class sustained damages from defendants' wrongful conduct.

47. Plaintiffs will adequately protect the interests of the Class and have retained counsel who are experienced in class action securities litigation. Plaintiffs have no interests which conflict with those of the Class.

48. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

### **COUNT I**

#### **For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants**

49. Plaintiffs incorporate ¶¶1-48 by reference.

50. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

51. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) employed devices, schemes and artifices to defraud;
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiffs and others similarly situated in connection with their purchases of Turquoise Hill common stock during the Class Period.

52. Plaintiffs and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Turquoise Hill common stock. Plaintiffs and the Class would not have purchased Turquoise Hill common stock at the prices they paid, or at all, if they had been aware that the market price had been artificially and falsely inflated by defendants' misleading statements.

## **COUNT II**

### **For Violation of §20(a) of the 1934 Act Against All Defendants**

53. Plaintiffs incorporate ¶¶1-52 by reference.

54. The Individual Defendants acted as controlling persons of Turquoise Hill within the meaning of §20(a) of the 1934 Act. By virtue of their positions with the Company, and ownership of Turquoise Hill stock, the Individual Defendants had the power and authority to cause Turquoise Hill to engage in the wrongful conduct complained of herein. Turquoise Hill controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

## **PRAYER FOR RELIEF**

WHEREFORE, plaintiffs pray for judgment as follows:

- A. Determining that this action is a proper class action, designating plaintiffs as Lead Plaintiffs and certifying plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure and plaintiffs' counsel as Lead Counsel;
- B. Awarding plaintiffs and the members of the Class damages, including interest;
- C. Awarding plaintiffs' reasonable costs and attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

**JURY DEMAND**

Plaintiffs demand a trial by jury.

DATED: December 13, 2013

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& DOWD LLP  
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Attorneys for Plaintiffs

**PLAINTIFF'S CERTIFICATE**

I, Daniel C Megly ("Plaintiff"), declare, as to the claims asserted under the Federal Securities laws, that:

1. Plaintiff has reviewed the complaint against Turquoise Hill Resources Ltd., and certain other defendants, and authorizes its filing.
2. Plaintiff did not acquire the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.
3. Plaintiff is willing to serve as a representative party on behalf of a class, including acting as a Lead Plaintiff and providing testimony at deposition and trial, if necessary.
4. Plaintiff represents and warrants that he is fully authorized to enter into and execute this certification.
5. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as approved by the court.
6. In addition, Plaintiff has made no transaction(s) during the Class Period in the securities of Turquoise Hill Resources Ltd., except as set forth in Exhibit A hereto.
7. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except if detailed as follows:

I declare under penalty of perjury, under the laws of the United States, this 8th day of December, 2013 that the information above is accurate.

/s/ Daniel C Megly\*

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Daniel C Megly

Drafted by:  
Ademi & O'Reilly, LLP  
3620 East Layton Ave.  
Cudahy, WI 53110

\*This is an electronic signature pursuant to the Electronic Signatures in Global and National Commerce Act (15 U.S.C. ch. 96)

Purchases		
Date(s)	Number Of Shares	Price(\$)
December 9, 2010	50	\$25.31
October 6, 2011	150	\$17.77

Sales		
Date(s)	Number Of Shares	Price(\$)

**CERTIFICATION OF NAMED PLAINTIFFS  
PURSUANT TO FEDERAL SECURITIES LAWS**

WE, SELMA EHRLICH and RICHARD M. EHRLICH, as Trustees of the Selma Ehrlich Revocable Trust, UAD 01/24/05, hereby certify as follows:

1. We have reviewed the draft complaint in an action entitled Selma Ehrlich Revocable Trust, UAD 01/24/05, Selma Ehrlich and Richard M. Ehrlich, Trustees, v. Turquoise Hill Resources Ltd., et al., to be filed in the United States District Court for the Southern District of New York, concerning Turquoise Hill Resources, Ltd., and have authorized the filing of the action on our behalf.

2. Plaintiffs did not purchase, or otherwise acquire, the securities of Turquoise Hill Resources Ltd. that are the subject of this action, at the direction of plaintiffs' counsel, or in order to participate in any private action arising under the federal securities laws.

3. We are willing to serve as representative parties on behalf of the class, and will provide testimony at a deposition and/or at trial, if necessary.

4. Plaintiffs' transactions in the securities that are the subject of this litigation during the class period set forth in the complaint are, as follows:

a). Purchases

(1) Purchased 1,000 shares of Turquoise Hill Resources Ltd. ("Turquoise Hill") on August 3, 2011 at \$25.50 per share;

(2) Purchased 1,000 shares of Turquoise Hill on February 8, 2012 at \$16.49 per share;

(3) Purchased 1,000 share of Turquoise Hill on March 29, 2012 at \$15.51 per share;

(4) Purchased 1,050 shares of Turquoise Hill on July 31, 2012, pursuant to a Rights Offering.

b). Sales

(1) Sold 1,000 shares of Turquoise Hill on November 15, 2013 at \$4.04 per share

c). Plaintiffs currently hold 3,050 shares of Turquoise Hill.

5. During the three years prior to the date hereof, plaintiffs have not filed an action in which they have sought to serve, or have served, as representative parties for a class in any action filed under the federal securities laws.

6. Plaintiffs will not accept any payment for serving as representative parties on behalf of the class beyond their pro rata share of any recovery, or as ordered or approved by the Court, including the award to a representative of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

We declare under penalty of perjury that the foregoing is true and correct to the best of our knowledge and belief. Executed this 10<sup>TH</sup> day of December, 2013 at Highland Beach, Florida.

  
SELMA EHRLICH

  
RICHARD M. EHRLICH